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3 April 1973

MEMORANDUM FOR: Assistant Deputy Director for
Intelligence

SUBJECT : External Contracts

1. Most of our current external contracts are for projects involving detailed statistical compilations or for analysis that requires a particular skill that we do not have or that is in short supply. We have established a continuing dialogue with economists in the academic community who work on Communist countries without the use of contracts. Personal contacts have been developed over the years with the top professionals in this field, and we have found that our contributions to the JEC series have been useful in stimulating an exchange of views and research with an even larger professional audience.

2. Our experience with external contracts has not been entirely satisfactory. We have found it difficult to achieve an identity of interest between what we want done and what the contractor wants to do. Even with close supervision it is sometimes hard to control the focus of the final product, not to mention its quality. Source materials have been another problem. University libraries do not have the range of unclassified material that is available in OER and giving the contractor access to classified information is complicated; at times it is impossible.

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We also have found that contractors cannot be expected to respond in a timely fashion to ad hoc requests.

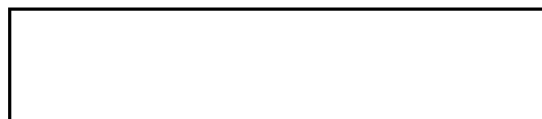
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3. As a rule we have been pleased with external contracts on specialized subjects such as demographic and labor force statistics, analysis of Soviet input-output data, trade statistics of Communist countries, and the trade-flow model. Other contracts of this type are feasible, including work on ruble-dollar ratios, analysis of Communist trade statistics, and models of various sorts. Our contributions to the NIS program also might be considered, but we are less sanguine about the likely quality of contract work for this purpose.

4. Outside of the specialized subjects mentioned above, there are only limited opportunities for external contracts. In order to be responsive to the needs of policy officials, it is essential that we maintain an in-house research capability on virtually all countries and on the major sectors of the most important countries. We would want to be very selective in contracting out basic research projects in order to avoid detracting from our own ability to respond to policy issues.



MAURICE C. ERNST
Director
Economic Research

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